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ARTICLES:

(1) Reinvestigation of abduction issue premised on agreement

ASAHI (Page 2) (Full)
August 14, 2008

By Yoshihiro Makino and Toru Tamakawa in Shenyang, and Katsuhisa

Kuramae

Working-level officials of the Japanese and North Korean foreign ministries concluded their formal talks held after a two-month hiatus by agreeing that they would try to complete the reinvestigation of the abduction issue by this autumn. North Korea wants to reopen the path toward normalization of its diplomatic relations with Japan that has been stalled over the abduction issue, while Japan hopes that the reinvestigation will lead to bringing home survivors. Difficulties still lie ahead before either country can reap their fruits.

The talks held at a hotel in Shenyang, China, were suspended on the afternoon of August 12, the second day, but it was not until past midnight on August 13 that the Japanese and North Korean working-level officials returned to hold their final round, more than 10 hours after the break.

After the talks ended, Song Il Ho, North Korea's envoy in charge of normalization talks with Japan, with bloodshot eyes told reporters in a dissatisfied tone: "I do not understand (why the meeting was delayed). I had initially heard that it was going to be held in the evening."

Japan was responsible for the prolonged break. Japanese officials, who had received a briefing on the draft agreement, were wavering over whether Japan really should go ahead and lift some of the sanctions merely in return for North Korea's starting the reinvestigation.

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According to a Japanese Government official, Kyoko Nakayama, who was appointed minister in charge of the abduction issue in the recent cabinet reshuffle, asserted that the government should take a cautious approach. Prime Minister Yasuo Fukuda, who was asked to make the final decision, reportedly decided to accept the draft agreement and gave the following instruction: "Proceed cautiously. Exert utmost efforts so that survivors can be found." After the Japanese and North Korean officials returned to the table, the meeting was adjourned in only 15 minutes.

Until they struck the final deal, Akitaka Saiki, director general of the Foreign Ministry's Asian and Oceanian Affairs Bureau, and Song engaged in heated verbal battle from time to time. Song rebuked Japan for "breaking a promise," while Saiki retorted, "You also have not put into action what you had promised." In response to Saiki's asserting that Japan wanted "to see the investigations lead to the discovery of survivors and their return to Japan," Song said, "No preconditions can be attached."

Despite the hostile atmosphere, both Japan and North Korea hardly had the option of letting the talks collapse this time.

Japan suspected that North Korea was trying to achieve progress in its relations with Japan in order to have the United States remove it from the list of terrorist-sponsoring states, as Washington has postponed North Korea's delisting. In contrast, a North Korean source has pointed out that through behind-the-scenes contacts, North Korea last summer shifted to promoting positive diplomacy toward Japan with a view to normalizing its diplomatic relations with Japan. Song felt that "it was rather Japan that was procrastinating." When he received a detailed proposal concerning the reinvestigation process from Japan on the afternoon of August 11, the first day of the talks, Song reportedly decided to accept it immediately.

The same source said that some North Korean officials have expressed wariness at the possibility that Taro Aso, a hardliner against North Korea who became the secretary general of the Liberal Democratic Party in the course of the reshuffling of the Fukuda cabinet, could become the next prime minister. A North Korean government authority told an Asahi Shimbun reporter, "It does not mean that large-scale exchanges involving the use of chartered flights could take place (even if such flights were authorized as a result of the lifting of sanctions)," stressing that North Korea was not changing its

attitude to pursue practical benefits. Nevertheless, there is still no guarantee that a "political decision" envisaging normalization will lead to reinvestigation that will produce results.

Meanwhile, Japan, which seeks progress in both the nuclear issue and the abduction issue, wants to avoid stalling bilateral issues. At the end of October, the deadline will approach when provision of energy aid to North Korea agreed at the six-party talks will have to be completed. Amidst the rise in the price of energy, it is certain that Japan, which is the only country among the related countries that has refused to participate in the energy aid on the ground that progress has not been made on the abduction issue, will come under a lot of pressure from the other countries.

However, a senior Japanese Foreign Ministry official has said, "It will be difficult to gain public understanding on Japan's participation in energy aid merely in return for North Korea's starting the reinvestigation." The bottom line is that the Japanese

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Government wants to obtain concrete results in the abduction issue by all means by then.

(2) Prediction of what action Fukuda will take impossible

YOMIURI (Page 4) (Full)
August 13, 2008

When will Prime Minister Yasuo Fukuda dissolve the House of Representatives for a snap election?

Is he going to dissolve the Lower House on his own?

It is difficult to find answers to these questions because he has taken "contrary" responses when faced with critical situations in the past.

Day when the cabinet was shuffled

Such occurred on Aug. 1 when he shuffled his cabinet, as well. A person close to him said: "The Prime Minister initially had his heart set on shuffling the cabinet in late July. He therefore took his summer vacation in early July to consider personnel selections for the shuffle." What this person meant to say was that the cabinet shuffle was put off just one day due to the delay of return home of the trade and farm ministers from talks of the World Trade Organization.

Many take the view in the capital hill of Nagatacho that Fukuda might have carried out the shuffle one day earlier because he became ornery when everybody was jumping to the conclusion that he would change the cabinet lineup on Aug. 4.

In fact, Fukuda appeared to have made a snap decision before deciding the framework of a new executive lineup of the Liberal Democratic Party (LDP) that took place just before he shuffled the cabinet.

On the night of July 31, Fukuda phoned Taro Aso to sound him out on an offer to take the LDP secretary general's post. Fukuda had already decided on the evening of July 31 to carry out a cabinet shuffle on Aug. 1. Aso told Fukuda: "I would like you to call me after 7:00 p.m." Fukuda reportedly was finally able to talk with Aso around 10:00 p.m., but Aso did not accept the offer at the time.

Fukuda reportedly also transferred Toshihiro Nikai from the LDP General Council chairman's post to the minister of economy, trade, and industry in another snap decision.

Prior to the cabinet shuffle, Fukuda heard from the New Komeito, the LDP's coalition partner, and the religious sect Soka Gakkai, the New Komeito's main backer, that they wanted Nikai to be retained in the LDP General Council chairman's post. Fukuda had intended to retain Nikai and Election Strategy Council Chairman Makoto Koga in their respective posts. However, since the Tsushima faction, which wanted to get one of the four party executive posts, reacted strongly on

Aug. 1 against Fukuda's plan, Fukuda had to change it.

G8 summit statement

Similar things occurred at the Group of Eight (G-8) summit in Hokkaido, which Fukuda chaired.

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On the night of July 7, sherpas, representatives of the leaders of the G-8 countries, were suddenly summoned. It was because Japan said that it wanted to make a minor change in the summit statement to be released on Aug. 8.

Individuals connected with the G-8 summit expressed displeasure because the agreement that the world would share the goal to halve greenhouse gas emissions by 2050 had been reached during the previous week. There was a growing view that Fukuda had probably reacted to media reports on the contents of the summit declaration. In the end, all that the sherpas did until late at night of July 7 was just change some words in the statement, while keeping the agreed outline intact, according to an informed source. On Aug. 8, Fukuda announced first the main themes of the declaration. This procedure was decided the preceding week, according to a senior Foreign Ministry official. Minor changes in the expressions in the declaration were unexpected, however.

There is a famous story about Fukuda. In January 2004 while serving as chief cabinet secretary in the Koizumi cabinet, he ordered to put off by one day the date of dispatching Ground Self-Defense Force troops to Iraq to support the reconstruction of the country because the media had already announced the day. As a result, it looked like the media had made a mistake in their reports.

In the capital district of Nagatacho, speculation has been rife that Fukuda would transfer power to Aso and that he would dissolve the Lower House before the end of the year. A person familiar with the LDP said: "Mr. Fukuda might try to ruin our prediction." Nobody can predict Fukuda's political agenda.

(4) Can Fukuda display his policy imprint? Civil service reform to enter crucial stage

MAINICHI (Page 5) (Slightly abridged)
August 14, 2008

In the Financial Services Agency, a handover ceremony was held on Aug. 5 between Toshimitsu Motegi and Michio Watanabe, incoming and outgoing minister of state for financial services, administrative reform, and civil service reform. The ceremony was delayed because of Watanabe's business trip.

Watanabe took a strategy of arousing public interest in reform of the independent administrative agencies by repeatedly criticizing the bureaucracy through the media. He even did not hesitate to lock horns with other cabinet ministers, including Chief Cabinet Secretary Nobutaka Machimura. Therefore, his image of being a reformist has gradually taken root.

In contrast to former Prime Minister Shinzo Abe, who took an adversarial stance toward bureaucrats, Prime Minister Yasuo Fukuda was believed to be lenient toward the bureaucracy. However, due to the discovery of the inappropriate use of road tax revenues, as well as the Health, Labor and Welfare Ministry's lack of explanations of the health insurance system for people aged 75 or over, Fukuda has begun tackling seriously the reform of the civil service system.

At a press briefing held immediately before the shuffle of the cabinet, Watanabe expressed his obsession with remaining in his post, saying: "There are many jobs I have yet to complete. If

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ministers are replaced just one year, fulfilling political leadership would be impossible." However, Fukuda did not reappoint

Watanabe, who has close ties to former LDP Secretary General Hidenao Nakagawa, known for his emphasis on the importance of economic growth.

Motegi, however, takes a somewhat different stance from Watanabe. After assuming the post, he stated: "Not satisfying ourselves by just criticizing civil servants, it is important to build reliable organizations and develop human resources." He has good relations with Nakagawa, who wants radical change in the civil service system, as well as with Machimura, who seeks moderate reform of the civil service system. Some in the government are concerned that if the government fails to reform the civil service system, Motegi would be criticized.

Ministries and agencies rebut private sector leadership

The government's taskforce to promote reform of the civil service system, which came into being in July, will be a main body to discuss the issue. Hiroshi Tachibana, former managing director of the Japan Business Federation's (Keidanren) Secretariat, serves as chief of secretariat of the taskforce. Of the 13 senior officials of the panel, five came from the private sector.

An informal panel on reform promotion, made up of about 15 members, will be set up before the end of August. The names of former economic planning agency chief Taichi Sakaiya, Keidanren Chairman Fujio Mitarai and Masamitsu Sakurai, president of the Japan Association of Corporate Executives, have been floated as candidates when a chairman is picked for the planned panel.

However, voices of dissatisfaction are coming from the ministries and agencies about how much those individuals know about bureaucratic organization. The main future of the reform is that the chief cabinet secretary would draft a list of senior officials of the ministries and agencies. Regarding the creation of a Cabinet Personnel Bureau, the reform basic law, which came into force in June, stipulates that legal measures will be made within one year. The government intends to come up with the outline of relevant bills as early as the fall. However, there are many issues to be boiled down such as that whether the chief cabinet secretary will be able to get a handle on all of the senior officials of the ministries and agencies.

Over the expansion of the civil servants' basic right, how far the government can make concessions will likely greatly affect reform of the civil service system.

(5) DPJ policy (Part 2): Ozawa's security initiative a touchstone

ASAHI (Page 4) (Slightly abridged)
August 14, 2008

On July 22, as the midsummer sun was beating down, a group of lawmakers from the House of Representatives Foreign Affairs Committee visited two U.S. military bases in Kanagawa Prefecture, the Navy's Yokosuka base and the Army's Camp Zama. The purpose of their base tour was to inspect the Japanese government's burden sharing of costs for the stationing of U.S. forces in Japan (omoiyari yosan, or literally "sympathy budget").

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"Do you have utility meters? Do you fulfill your obligations for economization?"

One member of the lower chamber committee, who is a lawmaker of the leading opposition Democratic Party of Japan (Minshuto), asked these questions about wasting utilities. "I don't think we're wasting," a U.S. military officer answered. "We would like more," this officer stressed. "Every one of the soldiers is willing to shed blood to defend Japan; they are ready to die for Japan," he added.

Against the backdrop of North Korea's nuclear development and China's military expansion, the Japanese government plays up security arrangements for the United States to defend Japan. In July, Prime Minister Fukuda met with U.S. President Bush. After

that, Fukuda was full of praise, saying the Japan-U.S. alliance has deepened since the Bush administration came into office. After the Sept. 11, 2001 terrorist attacks on the United States, Japan sent the Self-Defense Forces overseas for the U.S.-led war on terror although it was said to be contradictory to Article 9 of the Constitution. Japan did so to keep its credibility.

In April, the DPJ rejected the sympathy budget, which the government says is indispensable for Japan to remain allied with the United States. The DPJ opposed a special agreement that extends the budget, reasoning that it is wasteful. The proposed special agreement failed to get the opposition-dominated House of Councillors' approval. This was the first case of a special treaty disapproved under the current Constitution.

DPJ President Ichiro Ozawa's view of the Japan-U.S. alliance differs from the government's. Sekai, a (left-of-center) monthly magazine, carried Ozawa's criticism of the Bush administration in its November 2007 issue. He wrote: "The United States is not aware that its isolationism and its excessive pride always confuse harmony in the international community, including the United Nations."

Ozawa criticized the government for "kowtowing" to the United States. He is calling for the government to recall the Self-Defense Forces from the Indian Ocean and Iraq. In his Sekai essay, Ozawa categorically said the Maritime Self-Defense Force's refueling activities in the Indian Ocean are the same as rear echelon support for U.S.-led military operations that are outside the scope of U.N.-initiated activities. He further referred to the International Security Assistance Force (ISAF), which is operating in Afghanistan under a U.N. resolution. Ozawa said, "If I had taken the reins of government, I would like to realize Japan's participation in ISAF."

Ozawa's advocacy of Japan's ISAF participation, which is more dangerous than refueling at sea, created a stir within and outside his party. In December 2006, the DPJ came out with its platform, which incorporated Japan's proactive participation in U.N. peacekeeping operations. Based on this standpoint, Ozawa asserted that proactive participation in U.N. activities-even if it includes using armed force-does not conflict with the Constitution at all.

Ozawa also said: "To advise the United States, Japan must ready itself to share the world's peacekeeping responsibility." With this, Ozawa made clear his difference from the ruling coalition of the Liberal Democratic Party and the New Komeito. Aside from this political motive, he strongly insists on an "ordinary country" as he had a hard time of it to deal with the Gulf War when he was secretary general.

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Ozawa has been laying emphasis on his idea of building a "truly equal" alliance between Japan and the United States. "If there is a U.N. resolution, Japan is allowed to use armed force." With this logic, Ozawa has advocated Japan's ISAF participation. However, the government's constitutional interpretation is that Japan's use of force is limited to self-defense. The government must change this interpretation in order for Japan to participate in ISAF operations.

The United States' policy of attaching importance to Afghanistan would remain unchanged if the Republican Party or the Democratic Party comes into office next year after the presidential election. Pentagon officials have been in touch with Ozawa's aides since September last year over Japan's cooperation except for refueling. Taro Aso, now LDP secretary general, has come up with his idea of having the MSDF escort Japanese oil tankers in the Indian Ocean instead of extending its refueling mission there.

The DPJ is aiming to take the reins of government through a general election. The question is how the DPJ will face Afghan assistance. This will become a touchstone for Ozawa's advocacy of developing U.N.-centered diplomacy while remaining allied with the United States.

DPJ proposal a complex mosaic

On Aug. 5, the DPJ's shadow cabinet members, including Foreign Minister Yoshio Hachiro and Defense Minister Keiichiro Asao, gathered in a conference room of the House of Representatives members' office building.

The DPJ's shadow cabinet ministers discussed the issue of extending the new Antiterrorism Special Measures Law, which will be a point of contention at this fall's extraordinary Diet session. DPJ Secretary General Yukio Hatoyama has recently advocated upgrading the DPJ's counterproposal of Afghan assistance. Hachiro, who derives from the now-defunct Japan Socialist Party, said to Hatoyama: "The DPJ's Afghan assistance bill has been carried over for continued deliberations in the House of Representatives. The government and the LDP are not determined, and they cannot set even the extra Diet session in connection with the New Komeito. We should be cautious about working out another proposal."

Hatoyama wants to consider working out even more realistic measures for Afghan assistance, envisioning a change of government in the next general election for the House of Representatives. However, House of Representatives Vice Speaker Takahiro Yokomichi and DPJ House of Councillors Chairman Azuma Koshiishi, who shore up Ozawa, and other JCP-affiliated DPJ lawmakers are cautious about expanding the SDF dispatch.

When the Diet was in an extraordinary session last fall, the DPJ worked out its counterproposal, which also reflected the DPJ's circumstances. At that time, the DPJ agreed to send SDF troops to Afghanistan. However, the DPJ did not agree to allow them to use armed force there and limited their role to humanitarian and reconstruction assistance. Moreover, the DPJ limited the scope of their activities to ceasefire areas only. Actually, the SDF therefore can conduct almost no activities there, so the DPJ counterproposal was called a "complex mosaic."

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(5) Ruling parties on offensive in pursuit of large-scale supplementary budget in order to produce results with next Lower House election close at hand

ASAHI (Page 4) (Excerpts)
August 14, 2008

Prime Minister Fukuda has now no other choice but to put up an economic stimulus package as a subject of debate in the extraordinary Diet session to be convened in the fall. That is because the Liberal Democratic Party (LDP) and the New Komeito have fallen in step in a call for the compilation of a large-scale supplementary budget out of concern about an economic downturn in the wake of the steep rise in crude oil prices. However, the calculations of the Prime Minister's Office (Kantei), the LDP and the New Komeito for a dissolution of the Lower House for a snap election differ. The scale of the proposed supplementary budget and specific economic stimulus measures have yet to be worked out.

New Komeito Secretary General Kazuo Kitagawa: "A large-scale economic stimulus package should be compiled."

LDP Secretary General Taro Aso: "Piecemeal economic stimulus measures will not do."

Senior officials of the LDP and the New Komeito on August 13 met at a Tokyo hotel. The meeting turned into a venue for them to call for compiling an economic stimulus package and to vow to compile a large scale supplementary budget.

New Komeito members are openly declaring that an economic stimulus package is the major policy issue that the Fukuda cabinet should tackle in the next extraordinary Diet session, as Diet Affairs Committee Chairman Yoshio Urushibara noted. Probably aware of such a situation, LDP Diet Affairs Committee Chairman Tadamori Oshima responded, "If a supplementary budget is to be compiled, it should be submitted to the extraordinary Diet session in order for the Fukuda cabinet to indicate its stance as well."

The New Komeito is recently increasing pressure on the government for fiscal disbursements. It at a meeting between the government and the ruling parties, where the compilation of a comprehensive economic stimulus package was adopted, called for introducing a fixed-rate tax break for low-income earners and offering subsidies not only to commercial fishermen but also to small- and medium-size businesses to directly make up for the soaring fuel prices.

The New Komeito is calling for an economic stimulus package with an eye on a general election. If they succeed in making the government to pledge assistance measures for middle to low-income earners and small- and medium-size businesses, their support base, they would be able to quickly make a public appeal noting that it was their achievement.

Aso, who is aspiring to become the next prime minister, is conscious of the New Komeito's political aim, as an aide to him said, "If a supplementary budget bill is submitted, there will appear a mood for a Lower House dissolution from within the ruling camp." Aso is moving in step with the New Komeito, while aware of the New Komeito's intention, because he knows that the New Komeito expects him to act a key person in the election.

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However, both the government and the ruling parties are unable to pick up the real intention of the prime minister, who has the right to dissolve the Lower House. A senior official of a certain economic ministry said, "I cannot see what the central command thinks. What extraordinary Diet session does he want? Does he intend to go as far as to dissolve the Lower House?"

Aso gave an inarticulate explanation to a news conference held after his meeting with the prime minister on August 13: "(If an economic stimulus package is to be compiled,) figures might be set in a manner that makes resorting to compiling a supplementary budget a foregone conclusion. There still are some elements that need further consideration."

Prime minister's decision on whether to opt for firmly maintaining a policy to achieve fiscal soundness or to shift to a pork-barrel policy now focus of attention

A certain key minister explained the pressure the secretaries general of the LDP and the New Komeito applying on the prime minister this way: "This is the major political bargaining, whether it is good or bad. Since the approach to a bill extending the New Antiterrorism Special Measures Law has yet to be set, it would be impossible to discuss when to compile a supplementary budget." This is because the timing of compiling a supplementary budget and its scale as well as to boil down key issues (to be handled in the extraordinary Diet session) are closely related to a strategy of dissolving the Lower House election for a snap election.

The prime minister is pressed to make a difficult decision, while taking the steering of his own administration fully into account, on whether to veer from the fiscal reconstruction policy to a pork-barrel policy in response to a demand the ruling parties are making with an eye on a dissolution of the Lower House for a snap election or to partially maintain the policy of restoring fiscal health.

The prime minister stressed that settling difficulties facing the nation's economy -- the steep rise in prices and the sluggish economy -- is the shuffled cabinet's key policy challenges. However, he has been cautious about immediately compiling a supplementary budget as an economic stimulus measure, indicating his stance of attaching emphasis to eliminating wasteful expenditures.

An economic stimulus measures using a large-scale second budget is a means, which the government since the Koizumi cabinet, which has pursued the fiscal soundness restoration policy, has constrained. The Finance Ministry's stance is to finance an economic stimulus package with more than 300 billion yen worth of reserve funds from this fiscal year's budget and consider a supplementary budget, if

the reserve funds do not suffice.

If the government submits a large scale supplementary budget to the extraordinary Diet session to be convened in the fall in response to a call by the ruling parties, in particular, the New Komeito, it is bound to be taken as has having made a policy switch. However, given the sagging approval ratings for his cabinet, the prime minister would find it difficult to steer his administration without cooperation from the ruling camp. The New Komeito is persistently calling on the government to stop short of putting the bill extending the Special Measures Law to a revote in the Lower House to be approved by a two-thirds majority.

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If the continuation of Japan's refueling operation in the Indian Ocean and bills related to the establishment of a consumer agency are upset, it could deal an immeasurable blow to Fukuda's administration. However, the present situation is that even the timetable to convene the extraordinary Diet session has yet to be set, though the prime minister has indicated his desire to extend the special measures law.

(6) TOP HEADLINES

Asahi: Mainichi: Yomiuri: Sankei: Tokyo Shimbun: Akahata:
Ueno defends women's judo title, fencer Ota wins men's foil silver

Nikkei:
MOF to offer advice for municipalities to prevent bankruptcies

(7) EDITORIALS

Asahi:
(1) Reinvestigation into abduction of Japanese nationals:
Investigation that has little substance unforgivable
(2) Negative growth: Real potential of private sector will be tested

Mainichi:
(1) Japan-North Korea talks: Give real power to investigation committee
(2) Negative growth: Healthy family budget most important

Yomiuri:
(1) Agreement at Japan-North Korea talks: Urge North Korea to conduct far-reaching reinvestigation into abduction cases
(2) Beijing Olympic Games: We want to enjoy more excitement

Nikkei:
(1) Negative growth is a warning that urges reform
(2) Will the agreement reached at Japan-North Korea talks lead to sincere investigation?

Sankei:
(1) Reinvestigation into abduction cases: Checking investigation process important
(2) Noguchi, marathon runner, shock: Thorough crisis management by Japan Association of Athletics Federations urged

Tokyo Shimbun:
(1) Negative growth: Economy has entered cautionary zone
(2) Reinvestigation into abduction cases would be meaningless, unless abduction victims return home

Akahata:
(1) Abandonment of jurisdiction over U.S. servicemen: Scrap secret deal that torments the people

(8) Prime Minister's schedule, Aug. 13

NIKKEI (Page 2) (Full)
August 14, 2008

11:47

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Met with Environment Minister Saito and Vice Environment Minister Nishio at his official residence.

13:58

Met with Financial Services Minister Motegi and National Civil Servant System Reform Promotion Headquarters Chief of Secretariat Tachibana.

15:30

Met with Cabinet Intelligence Director Mitani.

16:25

Met with LDP Secretary General Aso and Diet Affairs Committee Chairman Oshima.

SCHIEFFER